



Agenda Date: 7/29/09
Agenda Item: 1B

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

AUDITS

IN THE MATTER OF THE DEPARTMENT)	ORDER APPROVING
OF COMMUNITY AFFAIRS STATE)	BUDGET
FISCAL YEAR 2010 UNIVERSAL SERVICE)	
FUND ADMINISTRATIVE COST BUDGET)	DOCKET NO. EO09070525

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND/PROCEDURAL HISTORY

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA" or the "Act") established the Universal Service Fund ("USF"). The Act directed the New Jersey Board of Public Utilities ("Board"), inter alia, to determine for the USF the level of funding, the appropriate administration, and the purposes and programs to be funded. N.J.S.A. 48:3-60(b).

On April 30, 2003, in Docket No. EX00020091 ("April 2003 Order"), the Board approved a permanent USF program to ensure that low-income customers have access to more affordable energy. The Board ordered that the program be operated on a state-wide basis and funded through uniform charges on customers' electric and natural gas bills through the Societal Benefits Charge collected pursuant to N.J.S.A. 48:3-60(a). The Board also determined in this Order that initial administrative expenses would be capped at ten per cent (10 %) of the program costs or \$3 million. Further, the Board determined it must approve additional expenses above \$3 million in advance.

In its order dated July 16, 2003, in Docket Number EX00020091, the Board clarified that this cap would total \$3 million, and any administrative costs (excluding one-time start-up costs) exceeding this amount must be approved in advance by the Board. The Board also stated that the USF would be an ongoing, evolving program, subject to review and amended as necessary. In this same Order, the Board designated the Department of Human Services ("DHS") as the USF program administrator.

The USF program was intentionally linked to the Federal Low Income Home Energy Assistance Program ("LIHEAP") in order to take advantage of the existing infrastructure already in place to administer LIHEAP. Through a shared application and database system, repetition of administrative resources was reduced and applicants were conveniently able to apply for both programs simultaneously. LIHEAP was jointly administered by DHS and the Department of Community Affairs ("DCA") when the permanent USF program was authorized by the Board.

On August 31, 2006, Governor Jon S. Corzine designated DCA as the State's administrator of LIHEAP. DCA Commissioner Susan Bass Levin sent a letter dated September 21, 2006, requesting that the Board designate the Department of Community Affairs as the Universal Service Fund program administrator. On October 23, 2006, the Board changed the USF program administrator from DHS to DCA. By December 2006, DCA assumed full responsibility as USF program administrator.

On July 12, 2007, the Board approved the projected State Fiscal Year 2008 ("FY 2008") DCA USF administrative cost budget in the amount of \$4,458,281. The budget encompassed an increase above the \$3 million cap instituted in the April 2003 Order, which required Board approval prior to such expenditures.

On July 21, 2008, the Board approved the projected State Fiscal Year 2009 ("FY 2009") DCA USF administrative cost budget in the amount of \$5,284,288. The budget encompassed an increase above the \$3 million cap instituted in the April 2003 Order, which required Board approval prior to such expenditures.

On October 21, 2008, the Board approved an amendment to FY 2009 DCA USF administrative cost budget in the amount of \$7,000 for outreach to a limited group of food stamp households residing in public housing who were erroneously screened for USF benefits in March or April of 2008. This outreach was designed to assist this target group with understanding the eligibility criteria for USF.

On February 11, 2009, the Board approved the actual FY 2008 DCA USF administrative cost budget in the amount of \$3,929,055.92.

DISCUSSION

On June 23, 2009, DCA submitted its USF administrative cost budget for State Fiscal Year 2010 ("FY 2010") in the amount of \$7,298,602. The proposed FY 2010 USF administrative cost budget has increased by \$2,014,169 or 38% over the FY2009 USF budget.

The FY 2010 budget is broken down as follows:

DCA	\$2,310,941
Subgrantees-	
County Welfare Organizations	\$284,000
Community Based Organizations ("CBO")	<u>\$4,703,661</u>
Total	\$7,298,602

In its proposed budget, DCA has noted that the costs have increased due to numerous factors, which include an estimated 30% increase in USF enrollment (compared to a historic 7% increase), outsourcing of the USF/HEA call center and an anticipated addition of four new agencies. Due to the large increase in USF households DCA put out a request for proposal in March 2009 to bring on 4 to 6 additional agencies. DCA has estimated a total cost to the USF program of \$250,000 for start up and administration for the first year of operation for the new agencies. These costs are based on funding provided by DCA for a new agency in the first year because they have not completed an operating budget. After the first year they complete a budget and get reimbursed in the same manner as the existing agencies. DCA anticipates that these funds will be used on salaries, fringe costs, indirect costs, administrative costs, office equipment and furniture, office space, supplies and training. In addition, existing agency costs have increased commensurate to the increase in applicants that have applied for USF. The increase in agency costs reflects both the addition of staff and an increase in staff hours to

process the additional USF applications that these agencies have received. Accordingly, these factors have led to an increase in the requested budget amount for the USF administrative cost budget for FY 2010.

It has been over five years since the Board created the permanent USF program in its April 2003 Order and during that time the administrative costs for the program have remained relatively constant, despite the fact that the overall cost of the program has increased from \$30 million in 2003 to \$248 million for the 2008-2009 program year. The DCA's proposed administrative budget for the 2009-2010 program year does present administrative costs above the \$3 million cap that was instituted in the April 2003 Order, which accordingly requires Board approval prior to such expenditures.

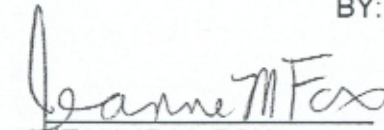
Staff has reviewed DCA's proposed budget and has found the costs listed therein appear to be appropriate and necessary for the administration of the USF program by the DCA. Staff has reviewed the Administrative Budget for the 2009-2010 program year and finds the increases are proportionally justified, relative to the increased enrollment size and participation in the program. Therefore, Staff recommends that the Board approve this budget. It is noted that the budget is an estimate. As per the Board's Memorandum of Understanding with DCA, DCA shall submit to the Board on a quarterly basis a billing for actual USF administrative costs incurred. Payment of said costs will be considered by the Board upon receipt of these billings.

FINDINGS AND ORDER


Accordingly, the Board HEREBY FINDS that DCA has adequately justified its FY 2010 USF administrative cost budget and HEREBY APPROVES said budget in the amount of \$7,298,602.00. The DCA FY 2010 USF administrative cost budget summary is attached hereto as schedule A.

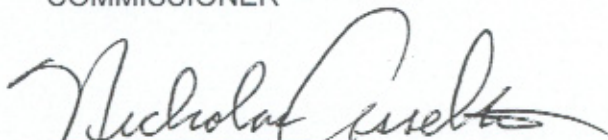
DATED: 7/31/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

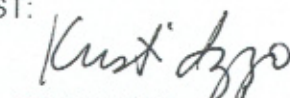

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COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

IN THE MATTER OF THE DEPARTMENT OF COMMUNITY AFFAIRS
STATE FISCAL YEAR 2010 UNIVERSAL SERVICE
FUND ADMINISTRATIVE COST BUDGET
DOCKET NO. EO09070525

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**STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
DCA USF BUDGET EXPENSE SUMMARY**

July 1, 2009 through June 30, 2010

Address: Department of Community Affairs
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Trenton, New Jersey 08625
Phone: (609) 292-9794
Chief Executive Officer: Paul Stridick

Prepared By: Mary Ann Barkus

BUDGET CATEGORIES Department of Community Affairs Costs
A. PERSONNEL & FRINGE
B. CONSULTANTS & PROFESSIONAL FEES
C. MATERIALS & SUPPLIES
D. OTHER
E. EQUIPMENT
DCA SUB TOTAL COST

<u>TOTAL</u>	<u>HEA</u>	<u>USF</u>	<u>USF 2009</u>
\$1,839,265	\$919,632	\$919,633	\$883,481
\$1,452,957	\$633,523	\$771,435	\$475,000
\$258,021	\$108,148	\$149,873	\$60,000
\$929,000	\$469,000	\$460,000	\$521,745
\$20,000	\$10,000	\$10,000	\$10,000
\$4,499,243	\$2,140,303	\$2,310,941	\$1,950,226

F. SUBGRANTEES
COUNTY WELFARE AGENCIES (CWAs)
COMMUNITY BASED ORGANIZATIONS (CBOs)
Subgrantees SUB TOTAL COST
TOTAL COST (DCA & SUBGRANTEES)

\$568,000	\$284,000	\$284,000	\$284,000
\$13,013,169	\$8,309,508	\$4,703,661	\$3,050,106
\$13,581,169	\$8,593,508	\$4,987,661	\$3,334,106
\$18,032,413	\$10,733,811	\$7,298,602	\$5,284,333